

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

**X-XXX-XXX2 Rev B**

#### Topic 24.1 Indebtedness/Credit Reports

CLASS PERIODS: 2

LAB PERIODS: 0

#### **Enabling Objectives:**

- 21.1 **IDENTIFY** the Terms involved with Credit Use in accordance with How to Use Credit Wisely, A guide for service members Handout by Channing L. Bete Co., Inc., 1995, South Deerfield, MA
- 21.2 **IDENTIFY** the Importance of Credit Contract Evaluation in accordance with Personal Financial Management Manual, NAVPERS 15608 and Personal Financial Management, Education, Training and Counseling Program, OPNAVINST 1740.5
- 21.3 **IDENTIFY** the Consequences of Indebtedness and the process of Wage Garnishment in accordance with Personal Financial Management Manual, NAVPERS 15608 and Personal Financial Management, Education, Training and Counseling Program, OPNAVINST 1740.5
- 21.4 **IDENTIFY** the Impact of Debt on Naval Career in accordance with Personal Financial Management Manual, NAVPERS 15608 and Personal Financial Management, Education, Training and Counseling Program, OPNAVINST 1740.5
- 21.5 **IDENTIFY** the Parts of a Credit Report in accordance with About Credit Management for Military Personnel Handout by Channing L. Bete Co., Inc., 1995, South Deerfield, MA
- 21.6 **IDENTIFY** how to Obtain a Credit Report in accordance with About Credit Management for Military Personnel Handout by Channing L. Bete Co., Inc., 1995, South Deerfield, MA
- 21.7 **IDENTIFY** how to Correct Discrepancies on a Credit Report in accordance with About Credit Management for Military Personnel Handout by Channing L. Bete Co., Inc., 1995, South Deerfield, MA

#### **Trainee Preparation Materials:**

##### A. Trainee Support Materials:

- 1. None

##### B. Reference Publications:

- 1. None

## LESSON PLAN

### **Unit 24. INDEBTEDNESS/CREDIT REPORTS**

**X-XXX-XXX2 Rev B**

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#### **Topic 24.1 Indebtedness/Credit Reports**

##### **Instructor Preparation:**

- A. Review Assigned Trainee Material
- B. Reference Publications:
  - 1. Personal Financial Management Manual, NAVPERS 15608
  - 2. Personal Financial Management, Education, Training and Counseling Program, OPNAVINST 1740.5
- C. Training Materials Required:
  - 1. Transparencies
    - a. Article 6210140, 24-1-3
    - b. Consequences, 24-1-4
    - c. Correcting Discrepancies, 24-1-10
    - d. Credit Bureaus, 24-1-9
    - e. Credit Terms, 24-1-2
    - f. Financial Responsibility, 24-1-5
    - g. Financial Responsibility cont, 24-1-6
    - h. Financial Responsibility cont, 24-1-7
    - i. Indebtedness/Credit Reports, 24-1-1
    - j. Parts, 24-1-8
    - k. Summary, 24-1-11

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

###### 1. Introduction

##### RELATED INSTRUCTOR ACTIVITY

###### 1. Establish Contact.

Write name on VAP board.

Introduce Yourself.

The use of credit has become an expected part of our society. Many Sailors make very costly mistakes because they do not know or understand the use of credit. Improper use of credit and the resulting indebtedness has become a common problem in the Navy. Knowledge of the ways to prevent financial difficulties, indebtedness assistance and the credit reporting system will help you monitor your credit history and protect your credit record.

State Lesson Objectives.

###### 2. Indebtedness/Credit Reports

###### 2. Show Transparency 24-1-1, Indebtedness/Credit Reports.

###### a. Credit Terms

###### a. Show Transparency 24-1-2, Credit Terms.

(1) Interest - the cost of borrowing

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

- (2) Finance charge - the cost of credit which includes interest and any service charge, insurance, etc.
- (3) Annual Percentage Rate (APR) - the yearly finance charge
- (4) Collateral - possessions (e.g., house, car, boat, etc.) pledged in return for credit
- (5) Credit History - the record of a person's use of credit (often compiled by a credit bureau)

#### 3. Credit Contract Evaluation

- 3. Reference Personal Financial Management Manual, NAVPERS 15608.

##### a. Legal Assistance

- (1) The services of an expert are available to you from your base Legal Assistance Office.

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

- (2) Before you sign a contract, take it to your base Legal Assistance Office. An expert there can tell you if there are any "hidden" clauses which you need to be concerned about.
- (3) Talk with your NMT staff member before making any major decision. He/She has experience with credit and can probably offer some good advice on how to get the best deal(s) and how to avoid high fees as well as high interest rates.

#### 4. Consequences of Indebtedness

- a. The Department of the Navy policy for financial responsibility states in Article 6210140 that Navy members are "expected to pay their just financial obligations in a timely manner." Section 3.B further states that the "...way in which one handles their private financial affairs provides a reliable indication of their general character and trustworthiness."

##### RELATED INSTRUCTOR ACTIVITY

- 4. Reference Personal Financial Management, Education, Training and Counseling Program, OPNAVINST 1740.5.

- a. Show Transparency 24-1-3, Article 6210140.

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

b. Letter of Indebtedness

- (1) Failure to pay debts is taken seriously by the U.S. Navy. Failure to pay your bills in a timely manner and on a regular time frame can result in, but not be limited to the following:

(a) Garnishment of wages

(b) Disciplinary measures

(c) Loss of security clearance

(d) Hinder advancement

(e) Deny reenlistment/extension

- (1) Show Transparency 24-1-4, Consequences.

(a) Explain what garnishment of wages is and what a loss of a security clearance can do to evaluations and advancement in the Navy.

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

(f) Discharge

##### RELATED INSTRUCTOR ACTIVITY

#### 5. Impact of Debt on Naval Career

- a. Letters of Indebtedness can result in poor evaluations which can finally result in grounds for discharges from the Navy due to unsuitability, but are Honorable under general conditions. These discharges are often given to Sailors who are financially irresponsible and unable to manage their money satisfactorily. It should be noted; however, that it is possible for Sailors to receive an Other than Honorable discharge for complete disregard for just debts.

- a. Show and discuss Transparency 24-1-5, Financial Responsibility.

Show Transparency 24-1-6, Financial Responsibility  
cont.

Show Transparency 24-1-7, Financial Responsibility  
cont.

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

- b. If you are ever wrongfully charged for an indebtedness, your base Legal Assistance Office should be contacted for advice.

#### 6. Parts of Credit Report

#### 6. Show Transparency 24-1-8, Parts.

- a. Name of creditor and account number
- b. Current balance
- c. Payment history including number of late payments and whether the account has been turned over to a collection agency because of late payments
- d. Amount of credit extended to a consumer
- e. Whether or not consumer is disputing information related to an account



## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### 7. How to Obtain a Copy of Your Credit Report

- a. You have the right to know the identity of the credit bureau used in your credit evaluation and the right to review the credit bureau's file as well as arrange to correct inaccurate information
- b. You can obtain copies of your credit reports by telephoning or writing to the company
  - (1) If you have been denied credit, this report is free
- c. Addresses of the three major credit bureaus:
  - (1) Experian (formerly TRW), P.O. Box 2104, Alran, Texas 75013-2104, Telephone: (888) 397-3742

##### RELATED INSTRUCTOR ACTIVITY

##### 7. Show Transparency 24-1-9, Credit Bureaus.

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

(2) Equifax, Information Service Center, Consumer Department, P.O. Box 105783, Atlanta, Georgia 30348, Telephone: (800) 685-1111

(3) Trans Union Corporation, P.O. Box 390, Springfield, Pennsylvania 19064-0390, Telephone: (800) 888-4213

8. Correcting Credit Report Discrepancies

8. Show Transparency 24-1-10, Correcting Discrepancies.

a. Contact reporting agency in writing providing the following information:

(1) Full name, including middle initial, Jr., III, etc.

(2) Current address and all previous addresses for the past 5 years

(3) Social Security Number (SSN)

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

(4) Name of spouse (if married)

(5) Write complete description of chain of events and what you want changed

(6) Also, include copy of document to verify your address (e.g., utility or telephone bill)

b. Ask creditor involved to write a letter substantiating any discrepancy

c. Request revised report (corrected report) for your files

9. Summary

9. Show Transparency 24-1-11, Summary.

a. Credit Terms

b. Credit Contract Evaluation

## LESSON PLAN

### Unit 24. INDEBTEDNESS/CREDIT REPORTS

X-XXX-XXX2 Rev B

#### Topic 24.1 Indebtedness/Credit Reports

##### DISCUSSION POINT

##### RELATED INSTRUCTOR ACTIVITY

- c. Consequences of Indebtedness
- d. Parts of Credit Report
- e. Obtain Copy of Credit Report
- f. Correcting Credit Report Discrepancies

#### 10. Assignment

- a. None

#### 11. Evaluation

- a. None